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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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1. Early in 1954 about one month prior to the Four-Power Conference in Berlin, I.I. Il'ichev, the Soviet High-Commissioner for Austria, was summoned to Moscow together with a group of his advisors. He soon returned to Vienna where the results of his official visit, as well as instructions from Moscow, were discussed at meetings
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2. In Moscow, Il'ichev supposedly talked to top government and Party officials, including Khrushchev and Malenkov. First he was told that the question of the Austrian peace treaty would probably be discussed soon in Berlin. Il'ichev was then asked the following questions:
- a. What Communist "roots" had been established in various organizations and enterprises in Austria?
 - b. Without close Soviet aid and supervision would these enterprises continue to flourish or would they fall apart? Specifically, could the Soviets afford to sell USIA enterprises to the Austrian government as they had USIV enterprises to Hungary?
 - c. Did the Austrian Communist Party maintain any mode of contact or working agreement with segments of other political parties, particularly the Social Democrats, and could it count on getting any measure of support on separate issues from these parties?

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3. In reply to these questions, Il'ichev supposedly pointed out that the Austrian Communist Party numbered very few people and was composed almost entirely of individuals who worked for Soviet enterprises and who had joined the Party only to obtain employment; that many of the Austrian Communist Party leaders were Jewish and for this reason were politically unreliable people who could betray the Party at any given moment. Other Austrian parties, Il'ichev stated, did not trust the Austrian CP and had no sympathy for it or its endeavors. Under such conditions, Il'ichev concluded that it would be foolhardy for the Soviets to relinquish any part of their control in Austria.
4. Il'ichev was then supposedly severely reprimanded for existing conditions in Austria and for his failure to improve the situation. However, he managed to escape punishment, partially by putting the blame on his subordinates and partially by pleading that he had not been in Austria long enough to improve matters. Prior to his return to Vienna, Il'ichev was told to relay the following messages to Soviet officials in Austria:
 - a. Soviet officials in USIA and in the High Commissioner's office had not followed the proper line and had been completely wrong in striving only for immediate profits from Soviet enterprises in Austria. They had done nothing to better the working or living conditions of Austrian employees at various USIA plants. Everything was being squeezed from the workers who in turn were becoming cynical about the Soviet Union and Communism in general.
 - b. The Austrian CP had made a gross political blunder in not attempting to win over the left-wing element of the Social Democratic Party as the Communist Parties in France and Italy were doing. As a result, Communists in Austria were weak and could count on no support when it was needed.
5. Following Il'ichev's visit to Moscow, the Soviet government and Communist Party issued several edicts and took action to improve the unfavorable situation in Austria.

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Government Actions

- a. The chiefs and deputy chiefs of USIA were replaced by new officials from the Soviet Union. This was done as soon as suitable replacements could be found. In some instances, this took a period of months. At this time, Chief of USIA Okopov was replaced by Pëtr Aleksandrovich Gritchin; Chief Engineer Kalashnikov was replaced by Lavrenov; other deputy chiefs, heads of various sections, such as the Commercial Section, Finance Section, Administration Section, Political Section, etc., were also replaced; Gregoriy Aleksandrovich Krylov became the new CP secretary for USIA. At the same time, the staff of the High Commissioner was greatly increased by the addition of various political and economic advisors from the USSR.
- b. A special Soviet Commission, which included approximately 15 "experts", was dispatched from Moscow. This Commission was assigned the task of working out a plan to raise the pay level of all categories of workers at Soviet enterprises 10 to 15 per cent above the pay level at non-Soviet enterprises. As soon as the necessary data was obtained and the plan worked

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out, it was to be put into effect. Since data concerning pay received by workers in different job categories at non-Soviet plants was not readily available, this information had to be obtained through the aid of the Central Committee of the Austrian CP by clandestine investigations. When all was ready, the Commission issued orders to directors of Soviet plants and enterprises as to how high they should raise the pay of workers in various job categories. In order not to lose chief engineers and other top Austrian specialists already employed at Soviet enterprises and to entice specialists from non-Soviet plants, the Commission made particularly lucrative offers to such individuals. In many instances they were offered twice their former pay. Source knew one specialist who was paid 10,000 schillings per month and believes some may have been paid even more. Such high-level personnel were also allowed advances up to 30,000 schillings to be repaid in five years in order to obtain suitable living quarters. So that workers would not suspect that they were getting pay raises upon orders from Moscow and that this was part of an overall Soviet scheme, plant directors were given orders to adopt the following procedures: First, the plant director called in the plant chairman of the Profsoyuz if he was a CP member, or the deputy chairman if the chairman was not a CP member. The director explained that in order to better the living standards of workers at the plant, improve working relationships, productivity, etc., he, the director, had decided workers at the plant should have a 10 to 15 per cent pay raise. The chairman of the Profsoyuz, in turn, was to inform the workers that the pay raise was his own idea. The chairman was then to choose a committee of plant workers, draw up the necessary "demands", and present them to the plant director. When this was done, the plant director usually thanked the workers, stated that he was in sympathy with them, would consider their proposal, and give them a definite answer soon. These "demands" were then presented to the Soviet Commission for signature and approval. When this was done, the plant director recalled the workers' committee and informed them that he had carefully considered their proposal for an increase in pay and had approved it.

- c. In order to improve living and working conditions at the Soviet enterprises in Austria, work was to begin at once to build new living quarters for workers, theaters, dining halls, nurseries for children, clubrooms, shower rooms, etc. Orders were also issued to improve safety measures in Soviet plants, install ventilation systems, etc.

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- d. All USIA plant buildings were to be renovated internally and externally to make them Communist showplaces. In addition, new equipment and machinery were to be installed which would allow these plants to compete with similar plants on the world market. This project was to take several years, but work started in 1954 on 65 of the largest and most important enterprises. The directive to commence work and invest capital in this project was signed by Malenkov.

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- e. USIA officials and individual plant directors were given permission to increase greatly the number of sales representatives and to send these sales representatives abroad. These representatives were sent to all satellite countries, India, Pakistan, and in some instances to Western countries. This action was taken in an effort to raise the low productive level of USIA plants by securing orders from abroad. Source states that most plants were operating at only 40 to 50 per cent of capacity.

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Party Action

- f. A directive came from Moscow via Aleksandr Petrovich Brazhnikov, senior representative of the CC of the CPSU in Austria, to the Central Committee of the Austrian Communist Party to make a strong bid to win the support of the Socialists. They were to make a special effort to win over the left-wing of the Social Democratic Party. Word was passed to Austrian CP secretaries at USIA plants, who called special Party meetings. There was much argument and disagreement at these Austrian CP meetings on a plant level since members were not told that this was a Soviet scheme and many of them felt that they should not share authority and power with Socialists. Generally, however, an agreement was reached and a softer policy towards non-Communists was employed. Soviet plants, for example, began to hire Socialists. Previously, it had been the policy to fire anyone who was not a CP member.
6. Source believes that despite the large outlay of money, manpower, and effort, the overall plan to strengthen the Communist position in Austria has not been successful.
- a. Soviet plant directors in Austria were all looking toward 1955 with trepidation because, despite the huge outlay of money on new machinery, worker pay raises, sales representatives, and plant renovation, plant production had not increased by December 1954.
- b. The granting of pay raises to Austrian plant personnel raised unforeseen complications. The manner and ease with which workers' "demands" had been met led them to believe that they had asked for too little. They soon began to ask for increases of 40 or 50 per cent and threatened to go on strike if these demands were not met. This caused great concern among Soviet CP officials in Austria who, according to source, fear strikes almost as much as death itself. The Central Committee of the Austrian CP was quickly told to subdue the workers and explain the impossibility of obtaining further pay raises. All USIA plants were threatened by strikes. Most strikes were averted; but, in some instances where action was not taken immediately, strikes did occur. In plants where strikes took place, aroused workers were usually granted an additional pay raise of 5 per cent in order to get them back to work quickly.
- c. The scheme to win over the left-wing of the Social Democratic Party has also failed thus far because, according to source, the Socialists are well aware of Communist designs. Source gave the following example as an indication of Communist failure to influence the Socialist Party: After pay raises were granted to workers in USIA plants, the Austrian CP offered to collaborate with the Socialists in demanding that workers in other Austrian plants get similar raises. The Socialists refused, however, to join the CP in this issue.
1. [redacted] for a description of the way in which Soviet government and Party directives reached enterprises subordinate to USIA.

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